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010946Z Jun 05

UNCLAS COLOMBO 000974

SIPDIS

TREASURY FOR C. CARNES, DEPT FOR SA/INS J. BRENNIG, MANILA
PLEASE PASS USADB

E.O. 12958: N/A
TAGS: EAID EFIN ECON CE
SUBJECT: SRI LANKA ACCEPTS US DEBT RELIEF OFFER

¶1. This is an action request, please see para 3. Post has received a letter from Mr. J.H.J. Jayamaha, Additional Director General for External Resources at the Sri Lankan Finance Ministry, accepting the USG offer for debt relief, asking us to conclude a bilateral agreement, providing a copy of the "draft" MOU they intend to sign with the Paris Club and requesting an adjustment to the USG cost of debt deferral, based on payments made to date.

¶2. Post will fax a copy of the letter and attached draft MOU to SA/INS and EB/OMA. We would appreciate SA and EB assistance in distributing to other relevant agencies.

¶3. Post understands that the GSL needs to conclude the MOU with Paris Club prior to negotiation of a bilateral agreement. We intend to tell the GSL that that the Paris Club MOU needs to be concluded immediately, in order to move ahead with negotiation of the bilateral agreement. Post would appreciate any other guidance relevant to moving forward with this request. Further, Post would appreciate guidance on responding to the adjusted budget cost of debt deferral, as requested in the letter.

¶4. Begin text of letter:

Dear Mr. Thompson:

Debt Relief from the US Government

I wish to refer you to the meeting you had with Mr. R.A. Jayatissa, Asst. Governor, Central Bank of Sri Lanka on the Debt Relief offered by the US Government and the note submitted to Mr. Jayatissa on this matter.

I am pleased to inform that the Debt Relief offered by the US Government is acceptable to the Ministry of Finance and Planning. You may please proceed to conclude a bilateral Agreement for the implementation of the debt relief. A draft of the Memorandum of Understanding that we intend to sign with the Paris Club is enclosed for your information.

Since the Government of Sri Lanka has already paid US\$ 8.78 million the balance debt payment in 2005 would be US\$ 35.02 million. Accordingly, the US budget cost of debt deferral has to be adjusted. Please inform me the new account.

Yours sincerely,

J.H.J. Jayamaha
Addl. Director General
For DG/ERD

End text of letter.

LUNSTEAD